

SIMPSON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2013

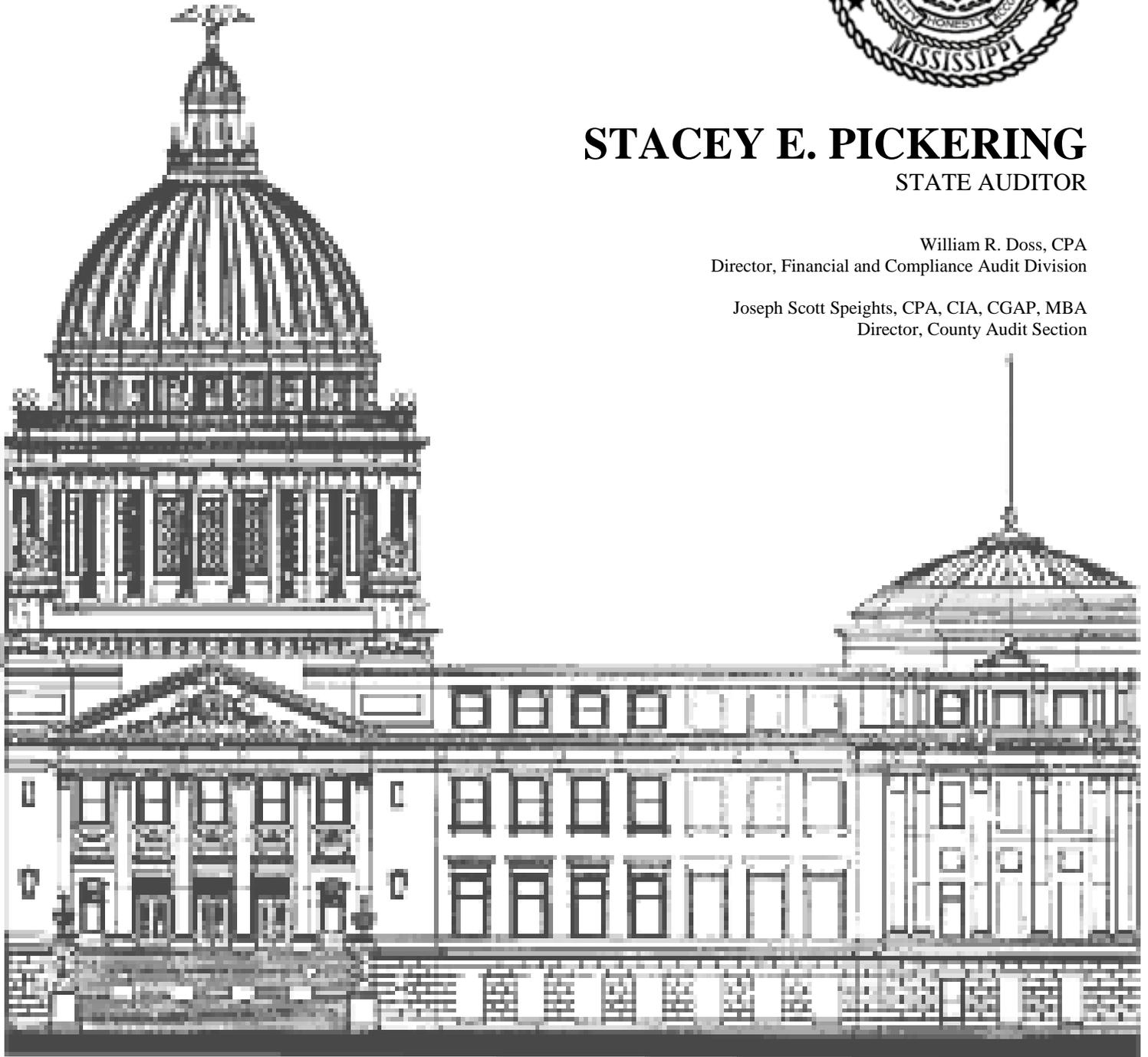


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 10, 2015

Members of the Board of Supervisors
Simpson County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Simpson County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Simpson County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Simpson County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a large initial "S" and "P".

Stacey E. Pickering
State Auditor

SIMPSON COUNTY

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SIMPSON COUNTY

FINANCIAL SECTION

SIMPSON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions on Governmental Activities, Business-type Activities and Major Enterprise Fund

As discussed in Note 9 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities, the business-type activities and the major enterprise fund and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities, the business-type activities and the major enterprise fund.

The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities, the business-type activities and the major enterprise fund is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Governmental Activities, Business-type Activities and Major Enterprise Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and the major enterprise fund of Simpson County, Mississippi, as of September 30, 2013, and the change in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Countywide Road Maintenance Fund and the aggregate remaining fund information of Simpson County, Mississippi, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

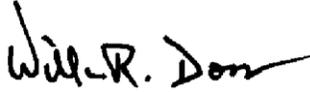
Simpson County, Mississippi, has omitted the Management’s Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2015, on our consideration of Simpson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Simpson County, Mississippi's internal control over financial reporting and compliance.

Handwritten signature of William R. Doss in black ink.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 10, 2015

SIMPSON COUNTY

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SIMPSON COUNTY

FINANCIAL STATEMENTS

SIMPSON COUNTY

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SIMPSON COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 8,187,576	201,155	8,388,731
Restricted cash	6,288		6,288
Property tax receivable	7,282,930		7,282,930
Accounts receivable (net of allowance for uncollectibles of \$896,371)		286,863	286,863
Fines receivable (net of allowance for uncollectibles of \$1,679,995)	452,315		452,315
Intergovernmental receivables	561,443	5,741	567,184
Other receivables	33,011		33,011
Deferred charges - bond issuance costs	329,119		329,119
Capital assets:			
Land and construction in progress	1,818,415		1,818,415
Other capital assets, net	59,503,001	573,416	60,076,417
Total Assets	78,174,098	1,067,175	79,241,273
LIABILITIES			
Claims payable	248,337	34,914	283,251
Intergovernmental payables	239,674		239,674
Accrued interest payable	123,380		123,380
Deferred revenue	7,282,930		7,282,930
Unearned revenue		51,372	51,372
Other payables	61,826		61,826
Long-term liabilities			
Due within one year:			
Capital debt	902,835	4,548	907,383
Due in more than one year:			
Capital debt	9,376,400	53,098	9,429,498
Non-capital debt	317,760	26,657	344,417
Total Liabilities	18,553,142	170,589	18,723,731
NET POSITION			
Net investment in capital assets	51,042,181	515,770	51,557,951
Restricted for:			
Expendable:			
General government	57,730		57,730
Public safety	633,722		633,722
Public works	1,556,987	380,816	1,937,803
Health and welfare	51,164		51,164
Economic development and assistance	517,294		517,294
Debt service	56,386		56,386
Unrestricted	5,705,492		5,705,492
Total Net Position	\$ 59,620,956	896,586	60,517,542

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY
Statement of Activities
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,227,913	777,942	9,441		(2,440,530)		(2,440,530)
Public safety	4,416,912	1,236,931	163,861	1,961	(3,014,159)		(3,014,159)
Public works	3,243,676		871,058	118,469	(2,254,149)		(2,254,149)
Health and welfare	96,767		18,718	39,745	(38,304)		(38,304)
Culture and recreation	212,325				(212,325)		(212,325)
Conservation of natural resources	102,340				(102,340)		(102,340)
Economic development and assistance	155,054				(155,054)		(155,054)
Interest on long-term debt	364,144				(364,144)		(364,144)
Paying agent fees	4,440				(4,440)		(4,440)
Total Governmental Activities	<u>11,823,571</u>	<u>2,014,873</u>	<u>1,063,078</u>	<u>160,175</u>	<u>(8,585,445)</u>		<u>(8,585,445)</u>
Business-type activities:							
Solid waste	938,400	876,500	15,285			(46,615)	(46,615)
Total Business-type Activities	<u>938,400</u>	<u>876,500</u>	<u>15,285</u>	<u>0</u>		<u>(46,615)</u>	<u>(46,615)</u>
Total Primary Government	<u>\$ 12,761,971</u>	<u>2,891,373</u>	<u>1,078,363</u>	<u>160,175</u>	<u>(8,585,445)</u>	<u>(46,615)</u>	<u>(8,632,060)</u>
General revenues:							
Property taxes					\$ 8,054,741		8,054,741
Road & bridge privilege taxes					316,351		316,351
Grants and contributions not restricted to specific programs					1,005,490		1,005,490
Unrestricted interest income					37,172	1,224	38,396
Miscellaneous					286,086	260	286,346
Total General Revenues					<u>9,699,840</u>	<u>1,484</u>	<u>9,701,324</u>
Changes in Net Position					<u>1,114,395</u>	<u>(45,131)</u>	<u>1,069,264</u>
Net Position - Beginning					<u>58,506,561</u>	<u>941,717</u>	<u>59,448,278</u>
Net Position - Ending					<u>\$ 59,620,956</u>	<u>896,586</u>	<u>60,517,542</u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2013

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 5,147,737	954,026	2,085,813	8,187,576
Restricted cash	6,288			6,288
Property tax receivable	4,876,386	1,189,068	1,217,476	7,282,930
Fines receivable (net of allowance for uncollectibles of \$1,679,995)	452,315			452,315
Intergovernmental receivables	487,231		74,212	561,443
Other receivables	22,379		10,632	33,011
Due from other funds	2,610	38,820	16,670	58,100
Advances to other funds	36,016		15,000	51,016
Total Assets	<u>\$ 11,030,962</u>	<u>2,181,914</u>	<u>3,419,803</u>	<u>16,632,679</u>
LIABILITIES				
Liabilities:				
Claims payable	\$ 105,598	71,769	70,970	248,337
Intergovernmental payables	206,351		17,745	224,096
Due to other funds	71,068		2,610	73,678
Advances from other funds			51,016	51,016
Deferred revenue	5,328,701	1,189,068	1,217,476	7,735,245
Other payables	61,826			61,826
Total Liabilities	<u>5,773,544</u>	<u>1,260,837</u>	<u>1,359,817</u>	<u>8,394,198</u>
Fund balances:				
Nonspendable:				
Advances	36,016			36,016
Restricted for:				
General government			57,730	57,730
Public safety	6,288		627,434	633,722
Public works		921,077	635,910	1,556,987
Health and welfare			51,164	51,164
Economic development and assistance			517,294	517,294
Debt service			179,766	179,766
Unassigned	5,215,114	0	(9,312)	5,205,802
Total Fund Balances	<u>5,257,418</u>	<u>921,077</u>	<u>2,059,986</u>	<u>8,238,481</u>
Total Liabilities and Fund Balances	<u>\$ 11,030,962</u>	<u>2,181,914</u>	<u>3,419,803</u>	<u>16,632,679</u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,238,481
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$93,400,508.	61,321,416
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	452,315
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(10,596,995)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(123,380)
Deferred charges - bond issuance costs	<u>329,119</u>
Total Net Position - Governmental Activities	\$ <u><u>59,620,956</u></u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 5,173,857	1,606,624	1,274,260	8,054,741
Road and bridge privilege taxes		316,351		316,351
Licenses, commissions and other revenue	282,251		9,378	291,629
Fines and forfeitures	520,965		18,887	539,852
Intergovernmental revenues	917,463	664,032	647,248	2,228,743
Charges for services	893,877		289,662	1,183,539
Interest income	25,515	3,747	7,910	37,172
Miscellaneous revenues	227,243	14,804	25,552	267,599
Total Revenues	<u>8,041,171</u>	<u>2,605,558</u>	<u>2,272,897</u>	<u>12,919,626</u>
EXPENDITURES				
Current:				
General government	2,953,096		7,754	2,960,850
Public safety	3,251,104		1,006,364	4,257,468
Public works		2,201,769	775,490	2,977,259
Health and welfare	140,384		102,134	242,518
Culture and recreation	212,325			212,325
Conservation of natural resources	102,340			102,340
Economic development and assistance	14,067		113,710	127,777
Debt service:				
Principal	366,887	133,218	423,613	923,718
Interest	303,115	13,973	49,046	366,134
Paying agent fees	2,500		1,940	4,440
Total Expenditures	<u>7,345,818</u>	<u>2,348,960</u>	<u>2,480,051</u>	<u>12,174,829</u>
Excess of Revenues over (under) Expenditures	<u>695,353</u>	<u>256,598</u>	<u>(207,154)</u>	<u>744,797</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	7,855	24,900		32,755
Transfers in	5,822	37,668	106,165	149,655
Transfers out	(100,449)		(49,206)	(149,655)
Total Other Financing Sources and Uses	<u>(86,772)</u>	<u>62,568</u>	<u>56,959</u>	<u>32,755</u>
Net Changes in Fund Balances	608,581	319,166	(150,195)	777,552
Fund Balances - Beginning	<u>4,648,837</u>	<u>601,911</u>	<u>2,210,181</u>	<u>7,460,929</u>
Fund Balances - Ending	<u>\$ 5,257,418</u>	<u>921,077</u>	<u>2,059,986</u>	<u>8,238,481</u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 777,552
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$1,001,660 exceeded capital outlays of \$485,464 in the current period.	(516,196)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$18,487 and the proceeds from the sale of \$32,755 in the current period.	(14,268)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(147)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt repayments of \$923,718.	923,718
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences	(27,988)
Decrease in accrued interest payable	4,464
The Amortization of:	
Issuance cost on refunding bond	(5,347)
Issuance cost on Certificates of Participation	(24,919)
Refunding bond deferred charge and premium	(2,474)
Change in Net Position of Governmental Activities	\$ 1,114,395

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2013

Exhibit 5

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Garbage and Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 201,155
Accounts receivable (net of allowance for uncollectibles of \$896,371)	286,863
Intergovernmental receivables	5,741
Total Current Assets	<u>493,759</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	573,416
Total Noncurrent Assets	<u>573,416</u>
Total Assets	<u>1,067,175</u>
LIABILITIES	
Current liabilities:	
Claims payable	34,914
Unearned revenue	51,372
Capital debt:	
Capital leases payable	4,548
Total Current Liabilities	<u>90,834</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	53,098
Non-capital debt:	
Compensated absences payable	26,657
Total Noncurrent Liabilities	<u>79,755</u>
Total Liabilities	<u>170,589</u>
NET POSITION	
Net investment in capital assets	515,770
Restricted for:	
Public works	380,816
Total Net Position	<u>\$ 896,586</u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund

For the Year Ended September 30, 2013

	Business-type Activities - Enterprise
	<u>Garbage and Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 876,500
Other operating cash receipts	260
Total Operating Revenues	<u>876,760</u>
Operating Expenses	
Personal services	405,750
Contractual services	244,219
Materials and supplies	206,192
Depreciation expense	78,742
Total Operating Expenses	<u>934,903</u>
Operating Income (Loss)	<u>(58,143)</u>
Nonoperating Revenues (Expenses)	
Interest income	1,224
Intergovernmental grants	15,285
Gain (loss) on sale of capital assets	(2,356)
Interest expense	(1,141)
Net Nonoperating Revenue (Expenses)	<u>13,012</u>
Changes in Net Position	(45,131)
Net Position - Beginning	<u>941,717</u>
Net Position - Ending	<u>\$ 896,586</u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2013

Exhibit 7

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Garbage and Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 847,241
Payments to employees	(406,439)
Payments to suppliers	(452,366)
Other operating cash receipts	260
Net Cash Provided (Used) by Operating Activities	<u>(11,304)</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	15,285
Net Cash Provided (Used) by Noncapital Financing Activities	<u>15,285</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(120,511)
Principal paid on long-term debt	(4,462)
Interest paid on debt	(1,141)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(126,114)</u>
Cash Flows From Investing Activities	
Interest on deposits	1,224
Net Cash Provided (Used) by Investing Activities	<u>1,224</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(120,909)
Cash and Cash Equivalents at Beginning of Year	<u>322,064</u>
Cash and Cash Equivalents at End of Year	<u>\$ 201,155</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (58,143)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	78,742
Provision for uncollectible accounts	89,620
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(112,023)
(Increase) decrease in intergovernmental receivables	(5,741)
Increase (decrease) in claims payable	(1,955)
Increase (decrease) in compensated absences liability	(689)
Increase (decrease) in unearned revenue	(1,115)
Total Adjustments	<u>46,839</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (11,304)</u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2013

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 120,280
Due from other funds	<u>15,578</u>
Total Assets	<u><u>\$ 135,858</u></u>
LIABILITIES	
Intergovernmental payables	<u>\$ 135,858</u>
Total Liabilities	<u><u>\$ 135,858</u></u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Simpson County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Simpson County to present these financial statements on the primary government and its component unit which have significant operational or financial relationships with the County.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, this component unit is reported as if it is part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government.

Simpson County Economic Development District is a legally separate entity organized under Section 19-5-99, Miss. Code Ann. (1972). Its purpose is to foster, encourage and facilitate economic development in the County. The entity's board of trustees is composed of 11 members appointed by the County Board of Supervisors. The County funds the entity through a .5 mill tax levy.

C. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and its blended component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

The County reports the following major Enterprise Fund:

Garbage and Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the county.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds."

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Simpson County meets this criteria and has elected to report general infrastructure assets acquired after September 30, 1980 on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 1980.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

O. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of these standards have been incorporated into the financial statements and the notes.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$8,509,011, and the bank balance was \$8,853,888. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Restricted Cash.

As approved in Section 91-13-8, Miss. Code Ann. (1972), the cash balance amount of \$6,288 is managed through a trust indenture between the County and the trustee related to the operations of the Simpson County Jail Complex. Accordingly, this cash is classified as restricted on the financial statements.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 2,610
Countywide Road Maintenance Fund	General	38,820
Other Governmental Funds	General	16,670
Agency Funds	General	15,578
Total		\$ 73,678

The receivables represent the tax revenue and Justice Court fees collected in September, 2013 but not settled until October, 2013, and temporary loans to cover cash deficits resulting from governmental grant reimbursements. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 36,016
Other Governmental Funds	Other Governmental Funds	15,000
Total		\$ 51,016

Amounts listed represent cash loaned to cover cash deficits resulting from the delays in grant reimbursements.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 5,822
Countywide Road Maintenance Fund	Other Governmental Funds	37,668
Other Governmental Funds	Other Governmental Funds	5,716
Other Governmental Funds	General Fund	100,449
Total		\$ 149,655

The purpose of these transfers was to provide funds for budgeted items, grant matches or to close debt service funds. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 126,459
Housing prisoners reimbursement	329,016
Department of Public Safety	44,565
Mississippi Emergency Management Agency	30,359
Commercial Mobile Radio Services Board	29,647
Department of Human Services	1,397
Total Governmental Activities	\$ 561,443
Business-type Activities:	
City of Mendenhall	\$ 5,741

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,726,509			(610)	1,725,899
Construction in progress	298,555	250,105		(456,144)	92,516
Total non-depreciable capital assets	2,025,064	250,105	0	(456,754)	1,818,415
<u>Depreciable capital assets:</u>					
Infrastructure	130,788,809	161,517		610	130,950,936
Buildings	14,523,661			456,144	14,979,805
Improvements other than buildings	740,479				740,479
Mobile equipment	4,093,955	56,856	141,878	248,301	4,257,234
Furniture and equipment	1,030,590	16,986	7,920		1,039,656
Leased property under capital leases	1,183,700			(248,301)	935,399
Total depreciable capital assets	152,361,194	235,359	149,798	456,754	152,903,509

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

	Balance <u>Oct. 1, 2012</u>	Additions	Deletions	Adjustments*	Balance <u>Sept. 30, 2013</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	84,885,575	342,577			85,228,152
Buildings	3,594,164	232,462			3,826,626
Improvements other than buildings	84,176	29,622			113,798
Mobile equipment	2,770,295	235,231	127,689	89,408	2,967,245
Furniture and equipment	857,660	37,587	7,841		887,406
Leased property under capital leases	<u>342,508</u>	<u>124,181</u>		<u>(89,408)</u>	<u>377,281</u>
Total accumulated depreciation	<u>92,534,378</u>	<u>1,001,660</u>	<u>135,530</u>	<u>0</u>	<u>93,400,508</u>
Total depreciable capital assets, net	<u>59,826,816</u>	<u>(766,301)</u>	<u>14,268</u>	<u>456,754</u>	<u>59,503,001</u>
Governmental activities capital assets, net	<u>61,851,880</u>	<u>(516,196)</u>	<u>14,268</u>	<u>0</u>	<u>61,321,416</u>

Business-type activities:

	Balance <u>Oct. 1, 2012</u>	Additions	Deletions	Adjustments	Balance <u>Sept. 30, 2013</u>
<u>Depreciable capital assets:</u>					
Buildings	\$ 164,260				164,260
Mobile equipment	1,146,275	120,511	23,555		1,243,231
Leased property under capital leases	<u>63,210</u>				<u>63,210</u>
Total depreciable capital assets	<u>1,373,745</u>	<u>120,511</u>	<u>23,555</u>	<u>0</u>	<u>1,470,701</u>
<u>Less accumulated depreciation for:</u>					
Buildings	46,004	3,286			49,290
Mobile equipment	788,049	69,767	21,199		836,617
Leased property under capital leases	<u>5,689</u>	<u>5,689</u>			<u>11,378</u>
Total accumulated depreciation	<u>839,742</u>	<u>78,742</u>	<u>21,199</u>	<u>0</u>	<u>897,285</u>
Total depreciable capital assets, net	<u>534,003</u>	<u>41,769</u>	<u>2,356</u>	<u>0</u>	<u>573,416</u>
Business-type activities capital assets, net	<u>\$ 534,003</u>	<u>41,769</u>	<u>2,356</u>	<u>0</u>	<u>573,416</u>

* The adjustments represent reclassifications of paid off leased property under capital lease to mobile equipment along with related accumulated depreciation and the reclassification of completed construction in progress to buildings.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 261,414
Public safety	175,030
Public works	526,102
Health and welfare	11,837
Economic development and assistance	27,277
Total governmental activities depreciation expense	\$ 1,001,660
Business-type activities:	
Solid waste	\$ 78,742
Total business-type activities depreciation expense	\$ 78,742

Commitments with respect to unfinished capital projects at September 30, 2013, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
LSBP 64 18 (Lee Boggan Road Bridge)	\$ 407,650	December 2014
BR 390 5 B (Jupiter Road Bridge)	633,532	December 2014

(6) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Operating Leases.

As Lessor:

On June 1, 2009, Simpson County entered into a noncancellable operating lease agreement with Howard Industries, Inc. for the lease of certain real property and a building located at 2778 Highway 49, Mendenhall, MS. The operating lease stipulated that the lessee Howard Industries, Inc. would pay approximately \$45,000 each year in lease payments commencing July 12, 2009 for a period of 10 years ending July 12, 2019.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

The future minimum lease receivables for these leases are as follows:

Year Ended September 30	Amount
2014	\$ 45,000
2015	45,000
2016	45,000
2017	45,000
2018	45,000
Total Minimum Payments Required	\$ 225,000

(8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 935,399	63,210
Less: Accumulated depreciation	377,281	11,378
Leased Property Under Capital Leases	\$ 558,118	51,832

The following is a schedule by years of the total payments due as of September 30, 2013:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 131,609	15,882	4,548	1,056
2015	219,326	8,781	4,635	969
2016	214,938	4,476	48,463	739
2017	13,124	707		
Total	\$ 578,997	29,846	57,646	2,764

(9) Other Postemployment Benefits.

Plan Description

The Simpson County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Simpson County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. The County also has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(10) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Quality Foods MBIA bond	\$ 355,000	2.00%	03/2016
Industrial development bonds of 2009	465,927	0.00%	05/2019
2011 Road and bridge refunding bonds	<u>1,440,000</u>	2.00-3.00%	10/2019
Total General Obligation Bonds	<u>\$ 2,260,927</u>		
B. Limited Obligation Bonds:			
Certificates of Participation, (Jail Complex)	<u>\$ 7,180,000</u>	3.00-4.70%	11/2030
C. Capital Leases:			
Excavator	\$ 25,016	3.39%	10/2014
2 Caterpillar motor graders (refinanced)	209,795	3.17%	12/2014
Computer system	36,821	3.45%	10/2015
Wheel loader	97,682	3.12%	02/2016
2 Case backhoes	161,087	1.95%	09/2016
Radios	<u>48,596</u>	5.39%	09/2017
Total Capital Leases	<u>\$ 578,997</u>		
D. Other Loans:			
DHS Building renovation	\$ 230,508	2.25%	04/2017
CAP Loan- fire truck	<u>40,155</u>	2.00%	06/2018
Total Other Loans	<u>\$ 270,663</u>		
Business-type Activities:			
A. Capital Leases:			
Caterpillar backhoe	<u>\$ 57,646</u>	1.90%	07/2016

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 417,222	39,850	290,000	283,301
2015	427,222	33,100	300,000	274,451
2016	437,222	26,200	310,000	265,301
2017	327,222	20,300	320,000	255,851
2018	337,223	14,175	330,000	245,895
2019 – 2023	314,816	7,800	1,820,000	1,043,131
2024 – 2028			2,220,000	633,402
2029 – 2033			<u>1,590,000</u>	<u>114,445</u>
Total	<u>\$ 2,260,927</u>	<u>141,425</u>	<u>7,180,000</u>	<u>3,115,777</u>

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Year Ending September 30	Other Loans	
	Principal	Interest
2014	\$ 64,004	5,913
2015	65,425	4,493
2016	66,877	3,041
2017	68,362	1,555
2018	5,995	28
Total	\$ 270,663	15,030

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2013, the amount of outstanding debt was equal to less than one percent of the latest property assessments.

Certificates of Participation - In accordance with Section 31-8-1 et seq. Mississippi Code Ann., (1972), the County issued Certificates of Participation and transferred the proceeds to the Central Mississippi Public Improvement Corporation (Corporation). The funds were used to construct a County Jail Complex. At completion, the Corporation entered into a twenty year lease with the County. The County is obligated to pay the Corporation rent equal to the principal and interest on the debt. At the completion of the lease, the County will assume ownership of the facility. This obligation is not a general obligation and does not constitute a pledge of full faith and credit of the County.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2013, \$1,435,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 289,772	27,988			317,760	
General obligation bonds	2,668,149		407,222		2,260,927	417,222
Less:						
Deferred refunding charge and premium, net	(13,826)		(2,474)		(11,352)	
Limited obligation bonds	7,465,000		285,000		7,180,000	290,000
Capital leases	747,892		168,895		578,997	131,609
Other loans	333,264		62,601		270,663	64,004
Total	\$ 11,490,251	27,988	921,244	0	10,596,995	902,835
Business-type Activities:						
Compensated absences	\$ 27,346		689		26,657	
Capital leases	62,108		4,462		57,646	4,548
Total	\$ 89,454	0	5,151	0	84,303	4,548

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Reappraisal Trust Fund, DUI Officers Grant Fund, Emergency 911 Fund, Seized Forfeited Fund, Bridge and Culvert Fund, and Garbage and Solid Waste Fund.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2013:

Fund	Deficit Amount
Law Enforcement Grants Fund	\$ 1,283
Occupants Protection Enforcement Grant Fund	209
DUI Officers Grant Fund	6,127
2004 R&B Bond Proceeds Fund	1,693

(12) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(13) Joint Ventures.

The County participates in the following joint ventures:

Simpson County is a participant with Rankin, Scott and Smith Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide free library service to the public and is governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the joint venture was \$153,994 in fiscal year 2013. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 100 Tamberline St., Brandon, MS 39042.

Simpson County is a participant with the Cities of Magee and Mendenhall in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the South Central Regional Solid Waste Authority. The joint venture was created to provide rubbish waste disposal for the residents of Simpson County and is governed by a seven-member board appointed by the Board of Supervisors and Board of Aldermen; three by Simpson County, and two each by the Cities of Magee and Mendenhall. The County's appropriation to the joint venture was \$109,194 in fiscal year 2013. Complete financial statements for the South Central Mississippi Regional Solid Waste Authority can be obtained from the following address: P. O. Box 487, Mendenhall, MS 39114.

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Simpson County Board of Supervisors appoints two of the 27 members of the college board of trustees. The County appropriated \$1,198,584 for the maintenance and support of the college in fiscal year 2013.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Region Eight Mental Health Commission operates in a district composed of the Counties of Copiah, Madison, Rankin and Simpson. The Simpson County Board of Supervisors appoints one member of the Board of Commissioners. The County appropriated \$45,000 for support of the commission in fiscal year 2013.

Central Mississippi Planning and Development District operates in a district composed of the Counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Simpson County Board of Supervisors appoints three of the 33 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$14,067 for the support of the district in fiscal year 2013.

(15) Defined Benefit Pension Plan.

Plan Description. Simpson County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$622,083, \$511,936 and \$425,227, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Simpson County evaluated the activity of the county through March 10, 2015 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2013, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
6/4/2014	1.88-2.63%	\$ 3,050,000	General Obligation bond	Ad valorem taxes
6/11/2014	2.29%	111,500	Capital lease	Ad valorem taxes
11/3/2014	2.19%	463,800	Capital lease	Ad valorem taxes
11/14/2014	2.19%	211,482	Capital lease	Ad valorem taxes

SIMPSON COUNTY

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SIMPSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY

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SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,968,901	5,167,514	5,167,514	
Licenses, commissions and other revenue	229,550	266,476	266,476	
Fines and forfeitures	660,000	524,932	524,932	
Intergovernmental revenues	751,800	923,881	923,881	
Charges for services	100,000	589,998	589,998	
Interest income	20,600	25,479	25,479	
Miscellaneous revenues	89,000	231,999	231,999	
Total Revenues	<u>6,819,851</u>	<u>7,730,279</u>	<u>7,730,279</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,093,278	2,938,450	2,938,450	
Public safety	3,079,963	3,335,431	3,335,431	
Health and welfare	143,707	135,400	135,400	
Culture and recreation	208,548	212,285	212,285	
Conservation of natural resources	109,529	101,424	101,424	
Economic development and assistance	14,067	14,067	14,067	
Debt service:				
Principal	672,504	366,886	366,886	
Interest		303,116	303,116	
Bond issue costs		2,500	2,500	
Total Expenditures	<u>7,321,596</u>	<u>7,409,559</u>	<u>7,409,559</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(501,745)</u>	<u>320,720</u>	<u>320,720</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		2,950	2,950	
Compensation for loss of capital assets		11,550	11,550	
Transfers in		16,895	16,895	
Transfers out	(16,129)	(24,264)	(24,264)	
Total Other Financing Sources and Uses	<u>(16,129)</u>	<u>7,131</u>	<u>7,131</u>	<u>0</u>
Net Change in Fund Balance	(517,874)	327,851	327,851	0
Fund Balances - Beginning	<u>4,259,000</u>	<u>4,478,199</u>	<u>4,478,199</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 3,741,126</u>	<u>4,806,050</u>	<u>4,806,050</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,568,569	1,603,729	1,603,729	
Road and bridge privilege taxes	315,000	314,516	314,516	
Intergovernmental revenues	631,000	664,032	664,032	
Interest income	3,000	3,748	3,748	
Miscellaneous revenues	4,000	3,420	3,420	
Total Revenues	<u>2,521,569</u>	<u>2,589,445</u>	<u>2,589,445</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,393,406	2,193,259	2,193,259	
Debt service:				
Principal	148,150	133,218	133,218	
Interest		13,973	13,973	
Total Expenditures	<u>2,541,556</u>	<u>2,340,450</u>	<u>2,340,450</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(19,987)</u>	<u>248,995</u>	<u>248,995</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		26,837	26,837	
Compensation for loss of capital assets		9,447	9,447	
Transfers in		37,668	37,668	
Transfers out	(100,000)			
Other financing sources	120,500			
Total Other Financing Sources and Uses	<u>20,500</u>	<u>73,952</u>	<u>73,952</u>	<u>0</u>
Net Change in Fund Balance	513	322,947	322,947	0
Fund Balances - Beginning	<u>350,000</u>	<u>631,080</u>	<u>631,080</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 350,513</u>	<u>954,027</u>	<u>954,027</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

SIMPSON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2013

UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County’s budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County’s budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and the major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 327,851	322,947
Increase (Decrease)		
Net adjustments for revenue accruals	304,249	4,730
Net adjustments for expenditure accruals	(15,056)	(8,511)
Net adjustments for other financing sources/uses accruals	(8,463)	
GAAP Basis	\$ 608,581	319,166

SIMPSON COUNTY

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SIMPSON COUNTY

OTHER INFORMATION

SIMPSON COUNTY

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SIMPSON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

Name	Position	Company	Bond
Curtis G. Skiffer	Supervisor District 1	Western Surety	\$100,000
Larry Walker	Supervisor District 2	RLI	\$100,000
Brian Kennedy	Supervisor District 3	RLI	\$100,000
Mickey Berry	Supervisor District 4	Western Surety	\$100,000
Randy Moore	Supervisor District 5	RLI	\$100,000
Rhuel Dickinson	County Administrator	RLI	\$100,000
Tommy Joe Harvey	Chancery Clerk	RLI	\$100,000
Minnie Parker	Purchase Clerk	Western Surety	\$75,000
Rhuel Dickinson	Assistant Purchase Clerk	RLI	\$50,000
Loretta Sims	Receiving Clerk	RLI	\$75,000
Steve Harper	Assistant Receiving Clerk	RLI	\$50,000
Regina Evans	Assistant Receiving Clerk	State Farm	\$50,000
David Hall	Assistant Receiving Clerk	RLI	\$50,000
Eric Bowen	Inventory Control Clerk	State Farm	\$75,000
Barry Sparks	Road Manager	State Farm	\$50,000
Randall Coleman	Constable	RLI	\$50,000
Dan Easterling	Constable	RLI	\$50,000
Cindy Jensen	Circuit Clerk (10/01/2012-06/30/2013)	RLI	\$100,000
Lu Ann Bailey	Circuit Clerk (07/01/2013-09/30/2013)	State Farm	\$100,000
Stephanie Berry	Deputy Circuit Clerk	State Farm	\$50,000
Lu Ann Bailey	Deputy Circuit Clerk	State Farm	\$50,000
Barbara Sullivan	Deputy Circuit Clerk	RLI	\$50,000
Patricia Posey	Deputy Circuit Clerk	RLI	\$50,000
Kenneth Lewis	Sheriff	RLI	\$100,000
Regina Evans	Sheriff's Deputy (bookkeeper)	State Farm	\$25,000
Jeff Smith	Sheriff's Deputy	RLI	\$50,000
William Mike Brown	Sheriff's Deputy	State Farm	\$50,000
William Carroll	Sheriff's Deputy	State Farm	\$50,000
Bryan Buckley	Sheriff's Deputy	Western Surety	\$50,000
James Morehead	Sheriff's Deputy	State Farm	\$50,000
Marvin Miller	Sheriff's Deputy	State Farm	\$50,000
Donnie McGovern	Sheriff's Deputy	RLI	\$50,000
Chris Jones	Sheriff's Deputy	RLI	\$50,000
Greg Reynolds	Sheriff's Deputy	State Farm	\$50,000
Joe Andrews	Sheriff's Deputy	RLI	\$50,000
Brian Davis	Sheriff's Deputy	RLI	\$50,000
Kathryn McMillan	Sheriff's Deputy	RLI	\$50,000
Christopher Wallace	Sheriff's Deputy	RLI	\$50,000
John Kilpatrick	Sheriff's Deputy	RLI	\$50,000
Eddie McCabe	Sheriff's Deputy	RLI	\$50,000
Kelvin Jenkins	Sheriff's Deputy	RLI	\$50,000
Ted Blakeney	Justice Court Judge	RLI	\$50,000
Eugene Knight	Justice Court Judge	RLI	\$50,000
Kim Jackson	Justice Court Clerk	RLI	\$50,000
Joyce Hicks	Deputy Justice Court Clerk	RLI	\$50,000

SIMPSON COUNTY
 Schedule of Surety Bonds for County Officials
 For the Year Ended September 30, 2013
 UNAUDITED

Name	Position	Company	Bond
Brandy Shepherd	Deputy Justice Court Clerk	State Farm	\$50,000
Theja Abernathy	Deputy Justice Court Clerk	State Farm	\$50,000
Charles Baldwin	Tax Assessor-Collector	RLI	\$100,000
Kathy Cole Kennedy	Tax Assessor-Collector Deputy	Western Surety	\$50,000
Naomi Nicole McCallum	Tax Assessor-Collector Deputy	RLI	\$50,000
Amanda Daughdrill	Tax Assessor-Collector Deputy	RLI	\$50,000
Alisha Walker	Tax Assessor-Collector Deputy	RLI	\$50,000
Shay McNeil	Tax Assessor-Collector Deputy	RLI	\$50,000
Carolyn Williams	Tax Assessor-Collector Deputy	RLI	\$50,000
Tommy Brown	Tax Assessor-Collector Deputy	State Farm	\$50,000
Dawn Bradshaw	Tax Assessor-Collector Deputy	State Farm	\$50,000
Jamie Brewer	Tax Assessor-Collector Deputy	RLI	\$50,000

SIMPSON COUNTY

SPECIAL REPORTS

SIMPSON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Simpson County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 10, 2015. The report is qualified on the governmental activities, the business-type activities and the major enterprise fund because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Simpson County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2013-001 to be a material weakness.

Compliance and Other Matters

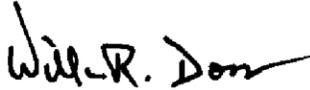
As part of obtaining reasonable assurance about whether Simpson County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Simpson County's Response to Finding

Simpson County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Simpson County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 10, 2015



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Simpson County, Mississippi

We have examined Simpson County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Simpson County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Simpson County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Simpson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Simpson County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive style with a long, sweeping underline.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 10, 2015

SIMPSON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

SIMPSON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

Schedule 2

Our test results did not identify any emergency purchases.

SIMPSON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2013

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
09/25/2013	Three (3) Power Pro XT Model 6506/ Ambulance Cots	\$ 35,670	Stryker Sales Corporation

SIMPSON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

In planning and performing our audit of the financial statements of Simpson County, Mississippi (the County) for the year ended September 30, 2013, we considered Simpson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Simpson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 10, 2015, on the financial statements of Simpson County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 10, 2015

SIMPSON COUNTY

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SIMPSON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SIMPSON COUNTY

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SIMPSON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Qualified |
| | Business-type activities | Qualified |
| | General Fund | Unmodified |
| | Countywide Road Maintenance Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| | Garbage and Solid Waste Fund | Qualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiency identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. Liability for other postemployment benefits should be recorded.

Finding

Simpson County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. GASB Statement 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits. The County does not issue a publicly available financial report for their health insurance plan. However, as reported in the prior three years' audit reports, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business-type activities and the Garbage and Solid Waste Fund.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisors' Response

The Board of Supervisors determined that it is not cost effective to have an actuarial valuation performed annually for reporting other postemployment benefits.

SIMPSON COUNTY

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